



First Things First

Posted by **Pierluigi Oliverio** on Monday, March 16, 2009

On March 12, I hosted the second annual budget meeting in my district. My goal was to inform the community about the budget process, the size of our budget, where the revenues come from and different options on trying to deal with the current deficit.

The major message from the residents that attended the meeting was that the city needs to change employee policies and compensation (including sick leave payouts and pensions) before cutting services. Residents brought newspaper and magazine articles about how other cities are facing major financial issues, including bankruptcy, due to pension obligations. Many people brought up analogies to Vallejo, which filed for bankruptcy.

The residents continuously asked when the City of San Jose was going to make these changes; city employee compensation, sick leave payout and pension adjustments. Several people in the audience work at Hewlett Packard which implemented wage cuts for every employee in the company. Others had hours reduced at their employers, resulting in a cut in compensation, or were laid off. Other views expressed were switching to 401K's from pensions. And 100 percent said new city employees should be given lower benefits than current employees, since we cannot afford them.

Recently, I read how union employees at the *San Francisco Chronicle* took pay cuts, fewer vacation hours and eliminated seniority just to keep the paper alive. They did this so that more people could keep their jobs and therefore keep the *Chronicle* operating. I hope these examples set the tone for San Jose's management and unions. The message that we are all in this together folks, lets see what we all can do for the sake of keeping our city healthy during this prolonged recession.

I prepared a [presentation about the City budget](#) for the meeting.

Some of the major facts:

- In the last seven years there has been a 58 percent rise in total compensation.
- In the last seven years the average salary went from \$73K to \$117K.
- In the last seven years our contribution towards pensions has more than doubled.
- We have a \$1.4 BILLION dollar unfunded medical liability.
- To fix the budget deficit via economic development we would need to build 15 Valley Fair's or 24 Oakridge malls. (That would require 750-1,200 acres of land, they would all have to be equally successful and residents would have to accept more traffic and parking in their neighborhood.)

At the end I made my own suggestions of how to balance the budget:

- Wage freeze for the next three years.
- Freeze Step and Merit increases.
- 5 percent pay reduction for all 2,663 employees that make over \$100K.
- 2 percent pay reduction for all employees making under \$100K (includes council and staff).
- Make changes to sick leave and vacation payout.
- Raise fees on card rooms but allow them nine extra tables which will bring the city \$5.5M every year on top of the existing \$13M. (Bob Brownstein, a union leader and Pat Dando, the President of the Chamber agree on this.)
- In future years we maintain wage freezes.
- Sell the Hayes Mansion to cut the \$4M we lose every year.
- Retain industrial land for job growth and slow down housing growth.

However we cannot provide core city services without more revenue:

- Therefore I proposed that we raise utility tax 1 percent on electricity, gas and water only. This would bring \$11.43M a year that would go to police only.
- Spend 70 percent of new revenue on new officers and the balance on non-sworn police employees and technology so more police officers can be out on the street versus behind a desk.
- Also I believe we should do a \$100M bond to pay for street repairs only, since we have a deferred backlog on maintenance of \$457M, and the longer we wait it will cost us even more to fix streets since we will go from repaving to rebuilding.

The journey is far from over on the budget so stay tuned.

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